

**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS  
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Public Works	(2) MEETING DATE 6/4/2013	(3) CONTACT/PHONE Scott Duffield, P.E., Utilities Division (805) 788-2316	
(4) SUBJECT Request approval of an agreement with EnerNOC for participation in an electrical Demand Response Program for the pump stations of the Nacimiento Water Project. All Districts.			
(5) RECOMMENDED ACTION It is our recommendation that your Honorable Board, acting as the Board of Supervisors of the San Luis Obispo County Flood Control and Water Conservation District (District): <ol style="list-style-type: none"> <li>1. Execute the attached agreement with EnerNOC (Agreement) for participation in an electrical Demand Response Program for the three Nacimiento Water Project pump stations; and</li> <li>2. Authorize the Director of Public Works, or his designee, to execute additional documents needed to process the specific work activities with both EnerNOC and Pacific Gas &amp; Electric (PG&amp;E), subject to County Counsel's approval as to legal form and effect.</li> </ol>			
(6) FUNDING SOURCE(S) Nacimiento Water Operating Fund (2200002000)	(7) CURRENT YEAR FINANCIAL IMPACT N/A	(8) ANNUAL FINANCIAL IMPACT N/A	(9) BUDGETED? No
(10) AGENDA PLACEMENT <input checked="" type="checkbox"/> Consent <input type="checkbox"/> Presentation <input type="checkbox"/> Hearing (Time Est. ____ ) <input type="checkbox"/> Board Business (Time Est. ____ )			
(11) EXECUTED DOCUMENTS <input type="checkbox"/> Resolutions <input checked="" type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input type="checkbox"/> N/A			
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A		(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: N/A <input type="checkbox"/> 4/5th's Vote Required <input checked="" type="checkbox"/> N/A	
(14) LOCATION MAP Attached	(15) BUSINESS IMPACT STATEMENT? No	(16) AGENDA ITEM HISTORY <input checked="" type="checkbox"/> N/A    Date: _____	
(17) ADMINISTRATIVE OFFICE REVIEW <i>Nikki J. Schmidt</i>			
(18) SUPERVISOR DISTRICT(S) All Districts -			

Reference: 13JUN04-C-9

# County of San Luis Obispo



TO: Board of Supervisors

FROM: Public Works  
Scott Duffield, P.E., Utilities Division

VIA: Dean Benedix, Utilities Division Manager

DATE: 6/4/2013

SUBJECT: Request approval of an agreement with EnerNOC for participation in an electrical Demand Response Program for the pump stations of the Nacimiento Water Project. All Districts.

## **RECOMMENDATION**

It is our recommendation that your Honorable Board, acting as the Board of Supervisors of the San Luis Obispo County Flood Control and Water Conservation District (District):

1. Execute the attached agreement with EnerNOC (Agreement) for participation in an electrical Demand Response Program for the three Nacimiento Water Project pump stations; and
2. Authorize the Director of Public Works, or his designee, to execute additional documents needed to process the specific work activities with both EnerNOC and Pacific Gas & Electric (PG&E), subject to County Counsel's approval as to legal form and effect.

## **DISCUSSION**

The Nacimiento Water Project (Project) consists of 45 miles of pipeline, storage tanks, three pump stations, and appurtenant facilities. The system became operational on February 1, 2010, and can convey up to 15,750 acre feet of water from Lake Nacimiento to local water agencies within the boundaries of the District. The three pump stations, known as the Intake, Santa Ysabel, and Rocky Canyon, are the subject of the proposed participation in an electrical Demand Response Program.

The attached agreement is recommended for approval, consistent with the Nacimiento Commissions approval on February 28, 2013, so that the Project can participate in PG&E's Demand Response Program.

The electrical supply and transmission capacity within California has physical limitations, and the utility companies have developed Demand Response Programs as a mitigation tool to improve system reliability during times when the supply and/or transmission capacity are stressed to near their limits. Very hot weather over the entire state is what typically stresses the electrical system. PG&E's Demand Response Program includes a self-managed program, and also includes third-party programs managed by aggregator companies. One such aggregator company is EnerNOC.

District staff began reviewing the EnerNOC program in 2011. The EnerNOC program has the following benefits available to the District:

- Revenue is available for participating in their program (Up to \$40,000 - \$50,000 annually).
- No penalties if the District cannot respond to a request for electrical reduction.
- EnerNOC provides on-going management support to the District for the management of the District's nomination of electrical reduction capacity (measured in kilowatts, or kW).
- Real-time data visibility on the District's power usage at the pump stations via internet connection to EnerNOC's operation center.
- EnerNOC funds all capital improvements associated with data recording and reporting equipment that both PG&E and EnerNOC install at the electrical metering switchgear at the pump stations.
- District maintains total control of the pump stations
- The Project has no out-of-pocket costs.

Once the program is entered into, agency participation is by way of a 30-minute notification plan which is summarized as follows:

#### EnerNOC Demand Response Program 30-Minute Notification Plan

- A 30-minute minimum amount of time may be given to the District to curtail electrical usage
- Participation from May 1 to Oct 31
- Participating on non-holiday weekdays only, from 11:00 a.m. to 7:00 p.m.
- Demand response lasts from 2 to 6 hours per event
- Maximum of 80-hour participating in a year
- PG&E can call for two tests of system per year
- Capacity Payment = \$40/kW of nominated capacity
- No penalty if the District cannot respond and reduce electrical usage
- Historical minimum notification time ever provided is 4-hours according to EnerNOC's business development manager.

Participation under this agreement would cover the period, terminating in March 2018.

#### **OTHER AGENCY INVOLVEMENT/IMPACT**

The Nacimiento Technical Support Group recommended and the Nacimiento Project Commission unanimously approved the District's participation in the EnerNOC Demand Response Program for the 30-minute notification at their February 28, 2013, Commission meeting. Participants in the Project include the cities of Paso Robles and San Luis Obispo, Atascadero Mutual Water Company, Templeton Community Services District, and County Service Area 10, Zone A.

The City of San Luis Obispo Water Division has participated in a similar EnerNOC Demand Response Program for several years, and has assisted the District in development of the proposed District contract. The City's contract with EnerNOC is in the same form as the proposed District contract, and was approved by the City on April 10, 2013.

County Counsel reviewed the Agreement and has identified a few potential risks, as follows:

- Limitation on Liability: EnerNOC's liability is limited to total damages that shall not exceed the lesser of (i) the total amount paid to the District during the twelve-month period immediately preceding the event giving rise to the claim, or (ii) \$100,000.

- Term of the Agreement: The term of the Agreement is 59 months during which time the District cannot enter into a contract with any other Demand Response provider.
- Indemnification: The Agreement would indemnify and hold harmless PG&E from any and all damages to persons or property unless they were negligent.

These potential risks were evaluated by the Public Works Department, the City of San Luis Obispo, and the Nacimiento Technical Support Group and appropriately considered while still recommending approval.

County Counsel has signed the attached Agreement as to legal form and effect, and has endorsed the delegation of signature for additional documents to the Director of Public Works or his designee; said additional documents include but may not be limited to:

- Seller's Notice to Add or Delete Customers Participating in the Aggregator Managed Portfolio (AMP) Program
- Agreement to Install Applicant Requested Common Special Facilities
- Authorization to Receive Customer Information or Act on a Customer's Behalf

Nacimiento water is a raw water supply utilized by the participating water agencies to supplement their existing water sources. Demand Response Events are infrequent and participation in any one Demand Response Event is voluntary and would be short in duration. Therefore, curtailment of Nacimiento water deliveries during a Demand Response Event is not considered to have a significant effect on the public served by the participating water agencies.

## **FINANCIAL CONSIDERATIONS**

EnerNOC provided a Statement of Financial Opportunity (SFO) based on the District's estimated electrical power curtailment from the three pump stations, and the first-year estimated revenue is \$40,000 to \$50,000. The District is not responsible for any capital costs associated with any equipment that needs to be installed at the pump stations to satisfy PG&E and/or EnerNOC. EnerNOC will pay for any and all capital costs required by PG&E and/or EnerNOC. The District is not financially penalized if ever the District is unable to respond to a request to curtail electrical power usage at the pumping stations.

The revenue of the proposed Demand Response Program was conservatively excluded from the proposed Fiscal Year 2013-2014 Nacimiento Operation and Maintenance Fund (2200002000) budget which was presented to the Nacimiento Commission at their February 28, 2013, Commission meeting.

Revenue from the Demand Response Program will be assigned to the Variable Energy Cost component presented within the Nacimiento Water Delivery Entitlement Contract, Article 16(C)(2), as a credit to the Variable Energy Costs charged to the Participating Agencies.

Participation in the proposed Demand Response Program has no out-of-pocket costs.

## **RESULTS**

Approval of the recommended action will result in a source of revenue to the Project when the District is asked to curtail water delivery in order to do our part in helping PG&E to mitigate stresses on the electrical delivery system within California. Participation in this program will support and contribute directly to the County's goals of providing a livable, prosperous and well governed community.

NWP File: M.0.2

Reference: 13JUN04-C-9

L:\UTILITY\JUN13\BOS\Demand Response brd ltr.doc.SD:mac

## **ATTACHMENTS**

1. Vicinity Map
2. Demand Response Sales and Services Agreement